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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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## PROPERTY TAX DEDUCTION FAQ AUDITOR'S ASSOCIATION 2011 SPRING CONFERENCE

*Indiana Department of Local Government Finance  
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### **Homestead Deductions**

**1. If someone lives in part of the hotel they own, can they get the homestead deduction?**

The individual may receive the homestead deduction on the portion of the property utilized as his or her principal place of residence assuming all other eligibility requirements are met.

**2. A taxpayer has been receiving the homestead deduction for many years but has since moved to an assisted living facility. When can the homestead be removed from the property?**

In order to receive the homestead deduction, the property must be the individual's principal place of residence, which is defined by administrative code as the "individual's true, fixed permanent home to which the individual has the intention of returning after an absence." So long as the property is maintained at the individual's principal place of residence, the homestead deduction should remain on the property.

## **Sales Disclosure Forms and Homesteads**

### **3. How does a county auditor challenge a homestead deduction application that is filed on a sales disclosure form when the auditor has reason to believe the property is not the individual's principal place of residence?**

In order to determine eligibility, the county auditor may request proof that the property is the applicant's principal place of residence. The applicant may provide the auditor with any of the following documents to prove the property is the applicant's principal place of residence:

1. An Indiana identification card issued by the state of Indiana.
2. An Indiana driver license or permit with a photo issued by the state of Indiana.
3. An Indiana gun permit.
4. A bank statement issued within sixty (60) days of application.
5. Form W-2 (federal or state) or Form 1099.
6. A state or federal tax return.
7. A computer generated pay check stub.
8. A valid employee identification card with a photo.
9. A valid Indiana professional license.
10. A valid insurance card.
11. A Medicare or Medicaid card.
12. U.S. military discharge or DD214 separation papers.
13. An Indiana residency affidavit.
14. A voter registration card.
15. A valid Indiana vehicle or watercraft title or registration.
16. Any other document with the applicant's name and the address of the residence for which the applicant claims the homestead standard deduction that provides information with reliability factors similar to the other documents listed that tends to show that the residence is the applicant's principal place of residence.

### **4. When individuals file a homestead deduction application – what documentation should the county auditor request to ensure they are legal citizens?**

County auditors are not required to determine the citizenship of homestead deduction applicants. The county auditor must only determine whether or not the property in question is the individual's principal place of residence. Please see above answer for further details regarding the documentation that may be provided.

## **Notification of Homestead Ineligibility**

### **5. A taxpayer indicates on the sales disclosure form that the homestead deduction should be removed from his or her previous residence. Is the auditor required to send a notification of homestead removal to the taxpayer?**

Per IC 6-1.1-12-37(o), if the county auditor determines that an applicant is not eligible for the homestead standard deduction, the county auditor shall inform the property owner of the county auditor's determination in writing. While not prohibited, the county auditor is not required to notify a taxpayer of the removal of a homestead deduction.

**6. If the county auditor denies any deduction application are we required to notify the taxpayer in writing or does this apply only to the homestead deduction?**

IC 6-1.1-12-37(o) requires the county auditor to notify an application for the homestead standard deduction if the auditor determines the applicant is ineligible for the deduction.

Per IC 6-1.1-15-1, taxpayers should also be informed, in writing, if the rehabilitated property deductions, coal combustion products deduction, hydroelectric power device deduction, geothermal deduction or ERA deductions are not granted in full.

As a courtesy, the auditor may choose to notify other deduction applicants.

## **Homestead Verification Form**

**7. Can the homestead verification forms be scanned and saved and the original paper copies destroyed?**

The original copy of the homestead verification form must be maintained.

## **Disabled Veteran Deductions**

**8. Can a surviving spouse continue to receive the disabled veteran deduction, if the qualifying veteran spouse dies and they remarry?**

Yes. The surviving spouse of a veteran may receive the disabled veteran deduction(s) that the veteran would qualify for if the veteran were alive. Statute does not stipulate that the surviving spouse remain unmarried.

## **Over 65 Deduction**

**9. Can an individual receiving an Over 65 Deduction receive a geothermal deduction?**

No, IC 6-1.1-12-9 prohibits an individual who is receiving the Over 65 Deduction from receiving any other property tax deductions except the mortgage, homestead and the fertilizer storage deductions.

**10. A husband is over 65 and eligible for the Over 65 deduction. His wife is disabled and is eligible for the Disabled Person Deduction but is not 65. The husband and wife are the only two owners (as joint tenants) of the property. Which deductions could they receive?**

Although an individual cannot receive both the Over 65 Deduction and the Disabled Person Deduction, nothing prohibits a married couple (as two separate individuals) from claiming these deductions. Assuming the wife meets all eligibility requirements for the Disabled Person Deduction, she may receive the full \$12,480 deduction on the property. The amount of her Disabled Person Deduction is not impacted by her husband. Assuming the husband meets all eligibility requirements for the Over 65 Deduction, he can receive half of the Over 65 Deduction or \$6,240. The amount of his Over 65 Deduction is impacted by the age of his wife. Because ½ of the property's joint tenant owners are not at least 65 years of age, only ½ of the deduction may be received.

**When the wife turns 65, can the husband get the full \$12,480 for his Over 65 Deduction? Can the wife continue to receive the full Disabled Person Deduction?**

Yes, when the wife turns 65, the husband may receive his full Over 65 Deduction (\$12,480) because all joint tenant owners of the property are now at least 65 years of age. The wife's Disabled Person Deduction is not impacted. She may continue to receive the full deduction.

## **Blind/Disabled Deduction**

**11. How do counties verify an individual's taxable gross income?**

Statute does not require the provision of a specific form to prove this income. However, taxable gross income does not include income which is not taxed under the federal income tax laws. Therefore, a copy of an individual's federal tax return could be provided as proof.

## **Deduction for Residence in Inventory**

**12. How soon will the application be available for the Residence in Inventory Deduction?**

The application will be available online at <http://www.in.gov/dlgf/8510.htm> in time for residential builders to claim the deduction for the 2012 assessment date (March 1, 2012) and thereafter (2012 pay 2013 property taxes and thereafter).

**13. How long does the Residence in Inventory Deduction stay on a property?**

The deduction is available on a particular residence for a total of not more than four assessment dates as follows:

1. One assessment date for which the residence is first assessed as a partially completed structure;
2. The assessment date for which the residence is first assessed as a fully completed structure;
3. The two assessment dates that immediately succeed the assessment date above.

An application for the deduction must be filed for each assessment date the deduction is claimed.

## Exemptions

**14. John Smith owns a property March 1, 2011 but deeds the property to the Indiana Department of Transportation (INDOT) for a road right-of-way before December 31, 2011. When will the State's exemption be effective?**

IC 8-23-7-31 provides in part:

*(b) Real property and interests in real property acquired for permanent highway purposes are exempt from taxation from the date of acquisition, provided that all taxes, interest and penalties recorded on the property tax duplicates have been paid. Where real property or interests in real property are acquired after the assessment date of any year but before December 31, the taxes on the property in the ensuing year are not a lien on the property and shall be removed from the tax duplicates by the county auditor.*

In other words, any property with an acquisition date after March 1 but before December 31 of any year shall have the property taxes for the ensuing year removed from the tax duplicate by the county auditor. For example, if INDOT acquires a property for permanent highway purposes after March 1, 2011 but before December 31, 2011, the property is exempt from taxation for the 2011 pay 2012 property taxes.

If an acquisition date falls after December 31 and before the following March 1, taxes due and owing from before the acquisition date are not removed from the tax rolls unless paid in full. INDOT may petition the Department of Local Government Finance ("Department") to have these taxes removed from the tax duplicate.

## Combining Parcels

**15. Can two parcels be combined (for tax purposes) if there will be more than one dwelling on the combined parcel? One dwelling is a homestead and one is a rental. The owner has requested the parcels be combined – 1 parcel with two dwellings.**

Contiguous parcels may be combined into a single parcel under IC 6-1.1-5-16:

### **IC 6-1.1-5-16**

#### **Consolidation of contiguous parcels into single parcel**

Sec. 16. (a) An action under this section is subject to section 5.5 of this chapter.

(b) If an owner of existing contiguous parcels makes a written request that includes a legal description of the existing contiguous parcels sufficient for the assessing official to identify each parcel and the area of all contiguous parcels, the assessing official shall consolidate more than one (1) existing contiguous parcel into a single parcel to the extent that the existing contiguous parcels are in a single taxing district and the same section. For existing contiguous parcels in more than one (1) taxing district or one (1) section, the assessing official shall, upon written request by the owner, consolidate the existing contiguous parcels in each taxing district and each section into a single parcel. An assessing official shall consolidate more than one (1) existing contiguous parcel into a single parcel if the assessing official has knowledge that an improvement to the real property is located on or otherwise significantly affects the parcels.

*As added by P.L.51-1997, SEC.5. Amended by P.L.38-1998, SEC.2; P.L.113-2010, SEC.20.*